



4000-01-U

DEPARTMENT OF EDUCATION

Notice Inviting Postsecondary Educational Institutions to Participate in Experiments Under the Experimental Sites Initiative; Federal Student Financial Assistance Programs under Title IV of the Higher Education Act of 1965, as Amended

AGENCY: Office of Postsecondary Education, Department of Education.

ACTION: Notice.

SUMMARY: The Secretary invites postsecondary educational institutions (institutions) that participate in the student financial assistance programs authorized under title IV of the Higher Education Act of 1965, as amended (the HEA), to apply to participate in new institutionally-based experiments under the Experimental Sites Initiative (ESI). Under the ESI, the Secretary has authority to grant waivers from certain title IV, HEA statutory or regulatory requirements to allow a limited number of institutions to participate in experiments to test alternative methods for administering the title IV, HEA programs. The alternative methods of title IV HEA administration that the Secretary is permitting under the ESI are designed to facilitate

efforts by institutions to test certain innovative practices aimed at improving student outcomes.

DATES: Letters of application to participate in any of the proposed experiments described in this notice must be received by the Department no later than [INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER] in order for an institution to receive priority to be considered for participation in the experiment. Letters received after [INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER] may still, at the discretion of the Secretary, be considered for participation.

ADDRESSES: Letters of application must be submitted by electronic mail to the following email address: *experimentalsites@ed.gov*. For formats and other required information, see "Instructions for Submitting Letters of Application" under SUPPLEMENTARY INFORMATION.

FOR FURTHER INFORMATION CONTACT: Warren Farr, U.S. Department of Education, Federal Student Aid, 830 First Street, NE, Washington, DC 20002. Telephone: (202) 377-4380 or by email at: *Warren.Farr@ed.gov*.

If you use a telecommunications device for the deaf (TDD) or a text telephone (TTY), call the Federal Relay Service (FRS), toll free, at 1-800-877-8339.

SUPPLEMENTARY INFORMATION:

*Instructions for Submitting Letters of Application:*

Letters of application should take the form of a PDF attachment to an email message sent to the email address provided in the ADDRESSES section of this notice. The subject line of the email should read "ESI 2014 - Request to Participate." The text of the email should identify the experiment, or experiments, the institution wishes to participate in by the title used in the "The Experiments" section under SUPPLEMENTARY INFORMATION (e.g., "Experiment-Prior Learning Assessment"). The letter of application should be on institutional letterhead and be signed by at least two officials of the institution--one of these officials should be the institution's financial aid administrator, and the other should be an academic official of the institution. The letter of application must include the institution's official name and Department of Education Office of Postsecondary Education Identification (OPEID), as well as a mailing address, email address, FAX number, and telephone number of a contact person at the institution.

*Background:*

In August 2013, President Obama outlined an ambitious new agenda to combat rising college costs and make college

more affordable for American families. The President has since engaged a wide range of stakeholders to advance the college costs agenda, through the College Opportunity Summit earlier this year and other efforts to identify ways to increase postsecondary educational opportunities and improve outcomes for students.

One component of the President's plan is to remove barriers that stand in the way of innovation in higher education, including barriers that prevent the use of new technologies or adoption of alternative approaches to teaching and learning that could improve students' academic outcomes.

In support of the President's agenda, the Secretary, under the Experimental Sites Initiative (ESI) authority of section 487A(b) of the HEA, is offering institutions the opportunity to participate in one or more of the following experiments that will waive certain statutory and regulatory requirements related to the title IV, HEA programs:

- Prior Learning Assessment-Provides that a student's title IV cost of attendance (COA) can include costs incurred by the student for assessments of prior learning and that a student's Federal Pell Grant enrollment status may, with limitations, take into

account a student's efforts to prepare materials for a prior learning assessment.

- Competency-Based Education-Provides flexibility in how institutions provide Federal student aid to students enrolled in self-paced competency-based education programs.
- Limited Direct Assessment-Provides flexibility for an institution to provide a mix of direct assessment coursework and credit or clock hour coursework in the same program.
- Federal Work Study (FWS) for Near-Peer Counseling-Provides flexibility for institutions to compensate FWS students, who are employed as "near-peer" counselors, to high school students solely with Federal funds.

Details of each experiment are provided in the "The Experiments" section below.

This notice follows the notice published in the Federal Register on December 6, 2013 (78 FR 73518), which solicited suggestions from institutions for new experiments under the ESI. In response, the Department received submissions from a diverse range of institutions and other interested parties. The new experiments described in this

notice, and their design, were informed by many of the ideas that were submitted. Additional experiments relating to the December 2013 solicitation may be announced in the future.

Under the waiver authority granted to the Secretary under section 487A(b) of the HEA, each experiment will be designed to test whether proposed changes to current requirements improve the administration of the title IV programs. Evidence gathered from the experiments may inform future changes in policy through statute or regulation.

*Reporting and Evaluation:*

The Department is interested in obtaining information in ways that will allow for a reliable evaluation of each experiment. Participating institutions may be required to collect, maintain, and provide information not only for students whose title IV aid is administered under an experiment, but also for a control or comparison group of otherwise similar students whose title IV aid was administered under existing requirements. Examples of likely reporting requirements include, for each experiment: numbers of students, their enrollment status, the types and amounts of grant and loan assistance received by the

students, and grade point averages and other reflections of academic performance.

In addition, institutions that are selected for participation in an experiment will be required to submit a narrative description and evaluation of their implementation of the experiment. At a minimum, the narrative should include any unforeseen challenges and unexpected benefits.

The specific evaluation and reporting requirements will vary among the experiments and will be finalized prior to the start of each experiment.

*Application and Selection:*

Institutions may apply to participate in one or more of the experiments described in this notice. From the institutions that apply, the Secretary will select a limited number to participate in each experiment. The Secretary intends to select a diverse cross-section of title IV eligible institutions for participation in the experiments, carefully considering the diversity of participating institutions by, among other characteristics, institutional type and control, geographic location, enrollment size, and title IV participation levels. Further, although not a selection requirement, the Secretary encourages institutions to include high-need

students, adult students, and working students among those whose title IV aid will be administered under the experiment. The Secretary may consider an institution's effort to include such students when selecting institutions to participate in an experiment.

The selection of institutions will be guided by the purpose of the ESI, which is to evaluate alternatives to current requirements, and to inform policymakers about the possibility of changes to those requirements. The ESI is not designed to provide broad regulatory relief or general exceptions to the statutory and regulatory requirements.

Institutions selected to participate in an experiment must have a strong track record in the administration of the title IV HEA, programs. When selecting institutions, the Secretary will consider all information available about an institution including, but not limited to, evidence of programmatic compliance, cohort default rates, financial responsibility ratios, and, for for-profit institutions, "90/10" funding levels.

If a selected institution consists of more than one location (e.g., campus), the Secretary may limit experiments to a single location, unless the institution provides the Secretary with a rationale for expanding the



experiment to one or more of the institution's other locations.

Prior to the established deadlines or before commitments are finalized, the Secretary will consult with participating institutions on the final design of the experiments through Webinars or other outreach activities.

Institutions selected for participation in an experiment will have their Program Participation Agreement (PPA) with the Secretary amended to reflect the specific statutory or regulatory provisions that the Secretary has waived for participants in the experiment. The institution must acknowledge its commitment to administer any experiments it agrees to participate in adequately by establishing any needed procedures and by coordinating with other institutional offices and staff in order to successfully administer the experiments. The amended PPA will also document the agreement between the Secretary and the institution about how the experiment will be conducted and will specify the evaluation and reporting requirements for the experiments.

#### The Experiments:

*Prior Learning Assessments-Use of Title IV Aid for Costs of Prior Learning Assessments*

*Background:*

Section 472 of the HEA indicates that a student's "cost of attendance" (COA or title IV COA), for the purpose of calculating a student's financial need for title IV aid, includes components for tuition and fees, books and supplies, room and board, transportation, dependent care, and miscellaneous expenses.

The regulations at 34 CFR 668.2 provide, in general, that a "full-time student" is an enrolled student who is carrying a full-time academic workload, as determined by the institution. Generally, for an undergraduate student, an institution's minimum standard for full-time status must be at least 12 semester, trimester, or quarter hours for each term. A student's workload may include any combination of courses, work, research, or special studies that the institution considers sufficient to classify the student as full-time.

The regulations at 34 CFR 600.2 provide that a credit hour approximates either an amount of instruction and out-of-class work or an equivalent amount of work for other academic activities, as established by the institution.

Many students, particularly adults and those who have previously participated in the workforce or who are military veterans, possess skills and knowledge in a wide range of areas obtained prior to their enrollment in

postsecondary education. For purposes of this experiment, these skills and knowledge are referred to as "prior learning." Students who are able to demonstrate that such prior learning meets some of the academic requirements for a postsecondary degree or other credential may be more likely to complete their academic program in a shorter period of time than other students, and with reduced costs and reduced borrowing. Generally, students must incur the costs for any assessment of such prior learning (prior learning assessment or PLA). Often such costs are related to the assessment itself, such as test fees or fees for portfolio reviews. Under existing title IV rules, these costs cannot be included in a student's COA since they do not result from the educational program offered by the institution.

Many PLAs require the student to spend a considerable amount of time preparing materials for the assessment. This most typically involves the effort to prepare a portfolio or other evidence of the prior learning. Under existing rules, even if, for the institution's own academic purposes, the institution were to establish some equivalency in clock or credit hours for the time the student spent preparing materials for the assessment, those hours would not count towards the student's enrollment

status for purposes of calculating the student's COA and for determining title IV aid award amounts because those activities would not involve instruction by the institution.

Allowing the inclusion of prior learning assessments costs to students' COA could result in some students receiving aid for those costs and may allow more students to apply their prior learning toward completion of an educational program.

*Description:*

This experiment will provide limited waivers of statutory and regulatory requirements to allow institutions to include in a student's COA reasonable costs, such as test fees, that are incurred by the student for the assessment of prior learning. Reasonable costs would not include any per clock or credit hour fee associated with the hours that the institution determines will apply toward completion of the student's academic program.

The increased COA would be used to determine the student's eligibility for and amount of title IV aid for the payment period or enrollment period when the student is enrolled in a title IV eligible program.

This experiment will also provide limited waivers of statutory and regulatory requirements to allow a limited

number of credit hours to apply to a student's Federal Pell Grant (or Iraq-Afghanistan Service Grant) enrollment status determination relative to the effort required of the student to prepare for the prior learning assessment. The increase to the student's Pell Grant enrollment status would not apply to the student's enrollment status for purposes of other title IV aid. Any resulting increase in the student's Pell Grant award may be provided only as a direct disbursement to the student or it must be treated as a title IV credit balance that is provided to the student (see 34 CFR 668.164(e)).

For the purposes of this experiment, preparation does not mean the time taken by a student to study for a test or examination or the time spent taking the test or examination. Rather, it means time spent by the student during the relevant payment period preparing any materials required to demonstrate the learning that will be assessed.

If the institution determines that the effort required of a student to prepare materials for an assessment of prior learning is equivalent to a certain number of credit hours, it may add up to a maximum of three additional credit hours to the student's Pell Grant enrollment status for the payment period during which the student prepared the materials for the assessment. The three credit hour

limit applies even if the institution determines that successfully meeting the assessment would require more time from the student than would be associated with three credit hours.

Determinations regarding COA and Pell Grant enrollment status adjustments associated with a PLA under this experiment must reflect the expenses, time, and effort spent by individual students, not a group or class of students.

It is expected that a successful assessment of a student's prior learning will result in the institution determining that the student has met all or part of the requirements for the program, without the student having to enroll in and complete additional coursework. Some institutions may simply award a certain number of academic credits to the student. While such additional hours may be applied toward completion of the student's program, they cannot, under both current requirements and under this experiment, count towards the student's title IV enrollment status. The benefit to the student is the reduction in the number of credits the student must earn to complete the program.

For example, a student may wish to demonstrate proficiency in music composition by assembling a portfolio

of the musical scores she has written for assessment by a third party PLA provider who charges the student \$300 for that assessment. Under this experiment, the institution would, with proper documentation that the expense was incurred and is the responsibility of the student to pay, include in the student's title IV COA an additional \$300 for the cost to the student of the portfolio assessment.

The institution determines that the effort required of the student to prepare her portfolio of composition is equivalent to at least three credit hours. The student is only enrolled in nine hours of regular coursework for the payment period (three-quarter time Pell enrollment status). These three additional credit hours will increase her Pell Grant enrollment status to full-time, and because she has a zero EFC, the result is an increase of \$716 that must be released directly to the student. Finally, upon assessment of the student's composition portfolio, the institution determines that it will apply 18 credit hours toward completion of the student's academic program.

Through this experiment the Department seeks to gain a better understanding of how the inclusion in students' COA of costs incurred for prior learning assessments (PLAs) may be related to credits awarded for knowledge the students already possess and to students' costs, borrowing, and

completion. The Department is also interested in learning about: (1) the amounts and types of assessment costs that institutions include in students' COAs; (2) the process by which institutions determine which PLAs to accept for the purposes of awarding credit and the amount of credit to apply to the student's academic program for passing a PLA; and (3) the process institutions used to determine the number of credit hours that were used to adjust students' enrollment status.

An institution applying to participate in this experiment may also apply to participate in the Competency-Based Education or Limited Direct Assessment experiments described in this notice.

*Waivers:*

Institutions selected for this experiment will be exempt from, or will follow waivers to, the following statutory and regulatory provisions:

- HEA section 472, which establishes the types of expenses that may be considered when determining a student's financial need.
- 34 CFR 668.2, to the extent that the definition of a "full time student" states that a student's workload must be "academic" in nature, precluding the



incorporation of time spent preparing to demonstrate prior learning.

- 34 CFR 600.2, to the extent that the definition of "credit hour" requires classroom or direct faculty instruction or work for the purpose of achieving learning outcomes, and to the extent that the definition of "clock hours" requires a class, lecture, recitation, faculty-supervised laboratory, shop training, or internship.
- 668.10(f), if the program has been approved as a Direct Assessment program, to the extent that the regulation prohibits the use of title IV aid for learning that did not result from instruction provided, or overseen, by the institution, including for tests of learning that are not associated with educational activities overseen by the institution.

All other provisions and regulations of the title IV student assistance programs will remain in effect.

*Competency-Based Education-Disbursement to Students Who Are Enrolled in Competency-Based Education Programs*

*Background:*

Section 481(a)(2) of the HEA and the regulations at 34 CFR 668.3 provide, in general, that, for purposes of the title IV, HEA programs, an "academic year" requires a

minimum of 30 weeks of instructional time for a credit hour program and a minimum of 26 weeks of instructional time for a clock-hour program. An academic year for an undergraduate program of study must additionally include at least 24 semester or trimester hours, 36 quarter hours, or 900 clock hours, as appropriate. In general, under the individual title IV program regulations, aid is disbursed on a payment period by payment period basis. Under 34 CFR 668.4, for an academic program that does not have academic terms, referred to in the title IV regulations as a "nonterm program", a payment period ends, and the next payment period begins, when the student has successfully completed both half the number of clock or credit hours in the program's title IV academic year and half the number of weeks of instructional time in that definition.

Traditional postsecondary programs of study measure a student's academic progress based on (1) number of credit or clock hours completed; and (2) weeks of instructional time that have elapsed. In contrast, competency-based education (CBE) programs measure a student's academic progress by assessing the student's learning, typically on the basis of the student's demonstration of mastery of a defined set of competency standards.

Because advancement in CBE programs is not tied to scheduled time periods, many CBE programs allow students to self-pace their progression through a program. CBE programs also commonly incorporate online and other technology-based teaching and learning tools. As a result, CBE programs may make postsecondary education more accessible, particularly for adult learners and those who are employed while in school, because students have a greater ability to learn on their own time and at a place of their choosing. This flexibility also has the potential to make postsecondary education more affordable by reducing time to degree and reliance on the costly infrastructure of traditional postsecondary institutions and the programs they offer.

Under the current statutory and regulatory requirements for title IV aid disbursement, the student's title IV aid may be disbursed only after the student has completed not only a specific portion of coursework, but also a defined period of calendar time. These time-based restrictions may make it more difficult for institutions to implement CBE programs in which students work at their own pace. Under existing rules, students who are capable of accelerating through their CBE programs (i.e. meeting the competency standards) would experience delays in receiving

new disbursements of title IV aid to pay for upcoming institutional charges. Existing regulations also prevent students who may progress more slowly through their CBE programs from receiving additional disbursements of title IV aid to support their living expenses, even though these expenses continue to accrue over time. Removing or modifying some of the time-based regulatory restrictions on disbursement of title IV aid may allow institutions to more effectively implement CBE programs and make it easier for students to progress through these programs at their own pace.

*Description:*

This experiment will provide limited waivers of certain statutory and regulatory requirements to remove some of the time-based restrictions to the disbursement of title IV aid so that funds are available to the student to pay institutional charges as they progress through a program at their own pace.

The experiment would allow for the disbursement of title IV aid for "direct costs" (institutional charges permitted as costs of attendance under HEA section 472) as soon as the student completes a required number of competencies, regardless of how many weeks of instructional time have elapsed. Disbursements of title IV aid for

"indirect costs" (i.e. living expenses) would be made at regular intervals related to the completion of a certain number of weeks of instruction.

The experiment will require the institution to develop clock or credit hour equivalencies for each of the program's required competencies. Both the methodology used by the institution to develop those equivalencies and the results of that methodology must have been approved by the institution's accrediting agency or otherwise meet that agency's requirements for the calculation of credit or clock hour equivalencies.

**Institutional Eligibility:** To participate in this experiment, an institution must include in the experiment at least one CBE program that has been approved or recognized as such by its accrediting agency. For the purposes of the experiment, a CBE program is an academic program of study for which at least one academic year is offered solely through competency-based education. CBE programs eligible for this experiment include programs that measure students' progress in credit or clock hours and programs, if approved by the Department, that measure student progression using direct assessment of the student's mastery of a defined set of competencies rather than using credit or clock hours.

To be approved to participate in the experiment, the institution must ensure and document that the program's equivalency methodology, as discussed above, was either approved by the relevant accrediting agency or meets that agency's requirements for such equivalencies. If applicable, it is expected that the institution's delivery of academic content in a competency-based format would have been approved by its accrediting agency as a substantive change, in accordance with the regulations at 34 CFR 602.22. The program must also have been approved for title IV eligibility by the Department, if necessary.

Academic Year: As with any title IV eligible program, the defined academic year for a semester-based or trimester-based CBE program under this experiment must be a minimum of 24 credit hours and a quarter-based program's academic year must be a minimum of 36 credit hours. In all instances, an academic year in a CBE program using credit hour equivalencies must include at least 30 weeks of instructional time. An academic year in a CBE program using clock hour equivalencies must be a minimum of 900 clock hours and must include at least 26 weeks of instructional time.

As described above, this experiment will require the institution to establish clock or credit hour equivalencies

for each of the CBE program's required competencies. Those equivalencies will be used to determine the hour component of the CBE program's academic year definition and establish the hour thresholds for the institution's disbursement of title IV aid to cover the student's direct costs. Note that a credit-hour equivalency is simply a way to quantify an amount of learning and an institution is not required to display equivalency or "map back" to a particular course or content. There is also no requirement that all of the competencies have the same number of credit hour equivalencies.

For example, an institution and its accrediting agency determine that a particular CBE program consists of 40 competencies, successful completion of which will result in completion of the program. The institution and the accrediting agency also determine that each of those competencies is the equivalent, in terms of effort and learning outcomes, to three semester credit hours. In this example, and assuming a defined title IV academic year of 24 semester credit hours, a student would have completed the hour portion of the title IV academic year after demonstrating mastery of at least eight individual competencies ( $8 \times 3 = 24$ ).

Disbursements for Direct and Indirect Costs: Under this experiment, institutions will separate the components of the student's title IV COA into two categories, one for "direct costs" (i.e., tuition and fees and books and supplies) and the other for "indirect costs" (such as room and board, transportation, miscellaneous expenses). Students will be eligible to receive disbursements of title IV aid for institutional charges and disbursements of title IV aid for living expenses at different times based on the two different measures of the student's progression through the CBE program.

Subject to the student's maximum award eligibility for the academic year, the institution will be permitted to make a disbursement of title IV aid for direct costs once the student completes the appropriate number of competencies, without regard to how long it took the student to do so.

Disbursements for indirect costs will be made based on the student's completion of a number of weeks of instructional time, since those costs are directly related to the time component of the title IV "academic year" definition, and will not require completion of a set number amount of competencies by that time unless the student



fails to meet satisfactory academic progress requirements as described below.

Payment Periods: This experiment will require that title IV aid be disbursed to students under the "non-term" provisions of the regulations, except that institutions will be required to shorten the length of the CBE program's payment periods from 50 percent of the program's defined "academic year" to no more than 25 percent of the academic year. Because aid for direct and indirect costs will be decoupled, there will be two separate title IV payment periods.

A direct cost payment period will be based on the student's completion of no more than 25 percent of the competencies in the program's title IV academic year. An indirect cost payment period will be based on the student's completion of no more than 25 percent of the number of weeks of instructional time in the program's title IV academic year.

This experiment will provide for institutional flexibility in establishing the number of competencies and weeks of instructional time in the CBE program's payment periods to fit its needs, as long as each of those components is not more than 25 percent of the relevant academic year component and as long as all of the

components combined equal at least 100 percent of the relevant academic year component. An institution may choose a different percentage for establishing a payment period for direct costs and for indirect costs.

Example: Consider an example in which the institution and its accrediting agency have established that the CBE program consists of 40 competencies, each of which is equivalent to the amount of learning in three semester credit hours. Accordingly, the title IV academic year will consist of successful completion of at least eight competencies (the equivalent of 24 credit hours) over 30 weeks of instructional time. The institution has decided, for this CBE program, that it will set both the direct cost payment period and the indirect cost payment period to be equal to 25 percent of the title IV academic year.

In this example, assume that the student's total title IV aid for the academic year is \$16,000, with the direct costs (tuition and fees and books and supplies) totaling \$12,000. For this student, the direct cost component of the COA will be \$12,000 and the indirect cost component of the COA will be \$4,000, the remainder of title IV aid available after consideration of direct costs. These amounts will be used to determine the amount of the

disbursements that are made upon the student's completion of the relevant payment period.

Therefore, for this example 25 percent of the direct cost component (\$3,000 in this example) could be disbursed at the beginning of the first direct cost payment period in the academic year and three subsequent \$3,000 disbursements could be made following the student's successful completion of each direct cost payment period - at least two competencies (25 percent of the eight competencies in the academic year definition). Similarly, 25 percent of the indirect cost component (\$1,000 in this example) will be disbursed at the beginning of the first indirect cost payment period in the academic year and three subsequent \$1,000 disbursements will be made following the student's successful completion of each of the indirect cost payment periods, each of which constitutes 7.5 weeks of instructional time (25 percent of the 30 weeks of instructional time in the academic year).

Under this experiment, if a student completes 25 percent of the competencies in the academic year before 25 percent of the weeks of instruction has passed, the institution may choose, for administrative reasons, not to immediately disburse title IV aid for direct costs but, may instead wait until the required weeks of instruction have

elapsed, in order to make disbursements for both direct and indirect costs at the same time. However, if an institution chooses to delay disbursements for direct costs, it may not restrict the student's ability to continue or to begin subsequent academic work.

Similar to the title IV credit balance disbursement requirements of 34 CFR 668.164(e), the institution must make the disbursement of title IV funds, if any, for a student's indirect costs no later than 14 days after the student has completed the prior indirect cost payment period.

Weeks of Instruction, Educational Activities, and Substantive Interaction: Consistent with existing regulations, for purposes of this experiment, a week of instructional time is any seven-day period in which the institution makes available to the students enrolled in the CBE program, instructional materials and faculty support so that a student could be engaged in an educational activity. Although students must in general show progress in their program of study to continue to receive title IV aid, they will have a limited amount of discretion to determine the pace of their progression, subject to the limits of the withdrawal and satisfactory academic progress provisions discussed below.

Also consistent with existing regulations, for the purpose of this experiment, an educational activity includes, but is not limited to, regularly scheduled learning sessions, faculty-guided independent study, consultations with a faculty mentor, development of academic action plans covering the competencies identified by the institution, or, in combination with any of the foregoing, assessments.

For the purpose of this experiment, regular and substantive interaction between students and instructors will be required.

Title IV aid may not be paid for academic credits resulting from successful assessments of prior learning where the learning was not based on instruction provided during the payment period.

Withdrawals and the Return of Title IV Aid (R2T4): Because of the relatively short payment periods in this experiment (no more than 25 percent of the academic year), the institution will not be required to perform a calculation when a student withdraws during a payment period. However, if a student ceases to be academically engaged, or fails to enroll in any competencies, for 45 days, the institution must consider the student to have withdrawn and no further title IV aid may be disbursed.

An institution will still have to comply with regulations for late disbursements under 34 CFR 668.164(g), except insofar as post-withdrawal disbursements will not be calculated in accordance with 34 CFR 668.22. An institution will be required, within 45 days of determining that a student has withdrawn, to notify the student of any loan funds for which the student might be eligible and maintain a process for issuing those funds to the student or the student's account upon request. Likewise, the institution must also pay to the student any grant funds that the student was eligible to receive at the time of the withdrawal, and comply with the requirements in 34 CFR 668.21 to return funds for a payment period in which a student did not begin attendance.

Satisfactory Academic Progress (SAP): This experiment will modify the statutory and regulatory requirements for monitoring a title IV aid recipient's SAP. Under the experiment, an institution will be required to evaluate a student's SAP upon the student's completion of each of the program's academic years, as measured in weeks of instructional time (i.e., at least 30 weeks for a program with credit hour equivalencies and at least 26 weeks for a program with clock hour equivalencies). Because the student must have completed the required number of

competencies before title IV aid can be disbursed for direct costs, when performing the SAP evaluation at the end of the academic year, institutions will not be required to determine the student's SAP pace by dividing the number of hours the student has completed by the number of hours the student has attempted. Instead, the institution will determine whether the student has completed sufficient competencies to complete the program within the maximum timeframe, that is no more than 150 percent of the program's published length, as provided in the definition of "maximum timeframe" in the regulations at 34 CFR 668.34(b).

For example, consider a student who was enrolled in a CBE program of 40 competencies, each of which has been determined to be the equivalent of three credit hours. The title IV academic year consists of eight competencies, which is equivalent to 24 credit hours, and 30 weeks of instructional time. While the student may have received title IV aid for each of the four indirect cost payment periods (i.e. after 7.5 weeks), if the student has not completed at least 5.33 competencies at the end of the 30<sup>th</sup> week of instruction in the student's first year of the program the institution would determine that she is not on pace to complete the program within 150% of the maximum

timeframe and would terminate her title IV eligibility, subject to the possibility of an appeal.

Additionally, under this experiment, if the institution accepts any transfer credit to meet



requirements of a student's program, it may, but is not required to, prorate the student's maximum timeframe based on the amount of transfer credit that the student has received.

Through this experiment the Department seeks to gain a better understanding of how the flexibility in the delivery of title IV student assistance might facilitate the implementation of CBE programs by institutions relate to students' costs, borrowing, and completion.

The Department is also interested in learning how the flexibility provided in the experiment for R2T4 and SAP make it easier for institutions to implement CBE programs, as well as how institutions maintain the integrity of the title IV student aid programs given such flexibility. We also seek to learn how institutions ensure regular and substantive interaction between students and instructors. Additionally, we seek to learn how institutions prohibit the payment of title IV aid for credits resulting from successful assessments of prior learning that were not based on instruction provided during the payment period.

Further, we hope to better understand the process by which institutions develop CBE programs, including the process of obtaining accrediting agency approval for such programs and determining, with their accrediting agencies,

the clock or credit hour equivalencies for the defined competencies in their programs.

Note that an institution applying to participate in this experiment may also apply to participate in one or both of the Prior Learning Assessment and the Limited Direct Assessment experiments described in this notice.

*Waivers:*

Institutions selected for this experiment will be exempt from, or will follow waivers to, the following statutory and regulatory provisions:

- 34 CFR 668.4(c), to the extent that the regulation defines payment periods in nonterm programs to be 50 percent of the title IV academic year and requires completion of both credit or clock hours and weeks of instructional time.
- HEA section 484B and 34 CFR 668.22 which require the institution to determine the amount of title IV aid a student has earned upon withdrawal from the institution, except that this waiver does not apply for the determination of a student's withdrawal date from a nonterm program at 34 CFR 668.22(a)(2) and the requirement for notification of a post-withdrawal

disbursement for funds from the Direct Loan Program at 34 CFR 668.22(a)(6).

- HEA section 484(c) and 34 CFR 668.34(a)(3)(ii), (a)(5)(ii), and (b), related to the timeframe when the institution must determine whether a student is making satisfactory progress and to the method by which an institution must calculate the pace of a student's academic progression.
- 34 CFR 674.16(b)(3), which permits an institution to advance Federal Perkins Loan funds within each payment period at such time and in such amounts as it determines best meets a student's needs. The modification will require the institution to make disbursements of Perkins Loan funds for indirect costs in accordance with the provisions of the experiment.
- 34 CFR 676.16(a)(3), which permits an institution to advance Federal Supplemental Educational Opportunity Grant funds within each payment period at such time and in such amounts as it determines best meets a student's needs. The waiver will require the institution to make disbursements of FSEOG funds for indirect costs in accordance with the provisions of the experiment.

- HEA section 428G(a)(2) and 34 CFR 685.301(b)(3)(ii)(B), which provide that an institution may not make the second disbursement of a Direct Loan until the student successfully completes half of the number of credit or clock hours and half the number of weeks of instructional time in a payment period.
- 34 CFR 685.301(c)(2) and (3), to the extent that the regulations provide that students in nonterm programs are considered to have completed their academic year and progressed to the next annual loan limit at the later of the successful completion of weeks of instructional time or the coursework or clock hours in the student's academic year.
- 34 CFR 686.33(a), which permits an institution to pay TEACH Grant funds within each payment period at such time and in such amounts as it determines best meets a student's needs. The modification will require the institution to make disbursements of TEACH Grant funds for indirect costs in accordance with the provisions of the experiment, as explained above.
- 34 CFR 690.63(e)(2), which requires Pell Grant funds (and Iraq-Afghanistan Service Grant funds) to be paid in nonterm programs only when both the credit or clock

hours and weeks of instructional time associated with the prior payment period have been completed.

- 34 CFR 690.76(a), which permits an institution to pay Pell Grant funds (and Iraq-Afghanistan Service Grant funds) within each payment period at such time and in such amounts as it determines best meets a student's needs. The modification will require the institution to make disbursements of Pell Grant funds or Iraq-Afghanistan Service Grant funds in accordance with the provisions of the experiment.

All other provisions and regulations of the title IV student assistance programs will remain in effect.

#### *Limited Direct Assessment - Eligibility of Coursework Using Direct Assessment*

##### *Background:*

Section 481(b)(4) of the HEA and the regulations at 34 CFR 668.10 provide, in general, that the definition of an "academic program" eligible for title IV aid includes an instructional program that, in lieu of credit hours or clock hours as the measure of student learning, utilizes direct assessment of student learning, or recognizes the direct assessment of student learning by others. To be eligible for title IV aid, such programs must utilize

direct assessment over the entire program, and may not offer a combination of coursework offered using direct assessment and coursework offered in traditional credit hours or clock hours. Institutions are also prohibited from offering title IV aid for remedial coursework using direct assessment.

Several in the postsecondary education community believe that additional statutory and regulatory flexibility related to direct assessment requirements would provide opportunities for new approaches for teaching and instruction. They also contend that direct assessment may be more appropriate for some portions of a program than other portions, and restricting eligibility to only programs where all coursework is offered using direct assessment may limit the effectiveness of direct assessment.

Further, some institutions and other entities have also stated that not allowing remedial coursework to be offered using direct assessment is restrictive and unnecessary, particularly for nontraditional students who may be able to master skills to prepare them for more advanced coursework, but have difficulty doing so in a traditional term-based program.

*Description:*

This experiment will permit an institution to provide title IV aid to students who are enrolled in a program that measures students' academic progress using a direct assessment method, even if the entire program does not use direct assessment. The experiment will permit an institution to provide in a single program both direct assessment courses and credit or clock hour courses. Students may enroll in both types of courses simultaneously or at different times within the same program, academic year, or payment period.

An institution applying to participate in this experiment may also apply to participate in the Prior Learning Assessment experiment, which will allow the institution to include certain costs incurred by a student for assessments of prior learning in the student's title IV COA. Institutions applying to participate in this experiment are also encouraged to apply to participate in the related Competency-Based Education Program experiment.

Through this experiment, the Department seeks to examine institutions' implementation of approaches that utilize direct assessment over only part of a program or involve the use of remedial coursework offered using direct assessment. The Department is also interested in

understanding how those approaches may be related to students' costs, borrowing, and completion.

*Waivers:*

Institutions selected for this experiment will be exempt from the following statutory and regulatory provisions:

- HEA section 481(b)(4) and 34 CFR 668.10(a)(1), which require a program utilizing direct assessment to use direct assessment for the entire program.
- 34 CFR 668.10(a)(3)(iii), to the extent that the regulation defines the activities that may be considered educational activities for the purposes of defining a week of instructional time in a direct assessment program.
- 34 CFR 668.10(g)(2), which prohibits the payment of title IV aid for remedial coursework offered by direct assessment.

All other provisions of the title IV student assistance regulations, including the requirement that the institution apply for approval for direct assessment program eligibility under 34 CFR 668.10(b), will remain in effect.



## *Federal Work Study - Near-Peer Counseling*

### *Background:*

Section 443(b)(5) of the HEA provides that, except under limited circumstances, the Federal share of compensation paid to students employed under the Federal Work-Study (FWS) Program may not exceed 75 percent. The remaining portion must come from institutional or other non-Federal funds.

This experiment provides financial encouragement to institutions to develop, implement, or expand FWS placements that provide "near-peer counseling" to high-school students, especially at-risk and underrepresented students. This experiment reflects emerging evidence that counseling provided by college students similar in age and circumstances to the high school students they counsel is effective in raising rates of college enrollment.

Under this experiment, the regular "matching" share of FWS compensation will be reduced or eliminated, allowing institutions to use up to 100 percent of Federal funds to provide compensation to its FWS near-peer counselors.

### *Description:*

This experiment will waive the statutory and regulatory requirements that prohibit the Federal share of compensation paid to a student under the FWS Program from

exceeding 75 percent for near-peer counselors and mentors employed by the institution. For the purpose of this experiment, near-peer counselors or mentors are any of an institution's students whose FWS-funded jobs are to provide counseling or mentoring to high school students in matters of college readiness, student aid, career counseling, or financial literacy.

Under this experiment, an institution must ensure that its near-peer counselors or mentors are knowledgeable in the aforementioned subjects, are either experienced in or trained in relevant counseling or mentoring techniques, and that the activities, information, and initiatives under the near-peer counseling or mentoring program are targeted to the needs of high school students. Institutions must also ensure that their FWS near-peer counselors or mentors are not involved in any institutional marketing or recruitment activities, particularly for the institution itself.

Through this experiment, the Department hopes to gain a better understanding of how FWS programs offered by institutions may change after the FWS matching requirement for near-peer counseling is waived, including potential changes in the number or characteristics of FWS-supported students overall and of those who participate in near-peer counseling programs. The Department is also interested in

learning about the level of student participation in FWS programs at institutions and characteristics of institutions' FWS students, especially those employed in community service jobs and those who participate in near-peer mentoring programs.

*Waivers:*

Institutions selected for this experiment will be exempt from the following statutory and regulatory provisions:

- HEA section 443(b)(5) and the regulations at 34 CFR 675.26 (a), which generally provide that the Federal share of compensation paid to an FWS student may not exceed 75 percent.

All other provisions and regulations of the title IV student assistance programs and specifically regarding the FWS program will remain in effect.

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Program Authority: HEA, section 487A(b); 20 U.S.C.

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Lynn Mahaffie,  
Acting Assistant Secretary for  
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